

**SPECIAL COMMITTEE ON ENERGY CONTRACTS  
AND RELATED PROJECTS**

**September 27, 2005**

**5:45 PM**

Chairman Thibault called the meeting to order.

The Clerk called the roll.

Present: Aldermen Thibault, Sysyn, Garrity, Forest, Lopez

Messrs.: R. Sherman, K. Clougherty

Chairman Thibault addressed Item 3 of the agenda:

Discussion relative to energy consumption within city departments.

Randy Sherman, Deputy Finance Officer, stated what we did is when the fuel prices started to climb we met with the Mayor and kind of informed him that this may or may not be a budgetary concern this year. As soon as we started seeing it go over \$2 and then \$2.50 and we all saw it go over \$3 for a gallon of gas what the Mayor did is he sent out an e-mail to all of the departments and asked them to take a look at their budgets and get back to him and give an indication of what they thought they may be looking at as far as a budget issue this year. In general, very few departments actually have energy costs as part of their budget. The Finance Department has none. Most of the people here in the City Hall complex, we don't deal with it. It is handled by Building Maintenance or the like. What Kevin has just handed out to you is really the result of the e-mails that we got back from the individual departments. What we did is the cover sheet that you have is actually a five-year history, including the Enterprises, of what we consider the four energy type accounts. You have the first one, gas oil and diesel. That is what we are putting in our vehicles to operate our vehicles. The second area is natural gas and you have the electricity and then down at the bottom you have fuel oil, which is our heating oil. This does not include the School Department, only because we don't have those numbers. This is a five-year history from the individual departments, again including Airport, Water and EPD. One thing that I will tell you if you look at the bottom line you will see that our energy costs have actually increased from \$6.5 million in 2001, they dipped in 2002, 2003 and climbed back up to \$6.5 million in 2004 and for FY2005 actually climbed up to \$8.2 million – almost a 25% increase. Part of that clearly is a result of market conditions. It is a result of the cold winter, a lot of snow plowing, you are running your trucks more

but you have to keep in mind there are also things in here like the Airport opened up a new section of terminal. Of course they have to heat it and there are lights. So all of those issues are in here but this is just a five-year history of what you have. The next page that you have is actually the result of the attached e-mails that we received back from all of the departments. What this does is again there are very few departments that really have these line items within their operating budget. What you see on this very short sheet is Building Maintenance says hey we are going to be okay. Maybe a \$15,000 problem this year. Keep in mind that they were responding to this when a gallon of gas was about \$3.40. So again it has come back down to some lower numbers. Police and Fire thought that they would be okay. The Highway Department thought maybe \$157,000 and again that is mainly fuel for the trucks. When Frank Thomas looked at his numbers, he was assuming it was going to be a normal winter. I am not sure what a normal winter is these days but assuming it is not like last year he thought that was maybe his number. Parks & Recreation, again we really weren't quite sure from them how much of this was on the Enterprise side and how much of it was on the general fund side. My guess is that most of that is the Enterprise side. They have the electric bills at the arenas and turning the lights on at Gill Stadium. Their's is probably mostly on the Enterprise side. Then down at the bottom we have the Airport who thought that they would be okay. Again, theirs is mainly electric and if they budgeted for a rate increase that is not an issue for them. The big question mark we have is with EPD. There is a letter attached to your packet from Tom Seigle. Again, he was doing his calculations. His letter is dated 9/9 so again there has been some change in market conditions since then but his issue is he runs that facility on an as needed basis almost 24 hours a day and goes through a lot of fuel oil. He is burning oil over there for his process. Again, it is not a general fund impact. We will need to meet with Tom and Frank and Tim to figure out how we can go over what he perceives is his shortfall. If you actually look at what Tom Seigle presented and I think it is the last item in your packet, he has actually thrown in a chemical line item as well where he thinks he may have a shortfall. He has identified about \$200,000 within his budget that he thinks he can move around to help cover that. Again, he has maybe about a \$300,000 hole based on what he was looking at a couple of weeks ago.

Kevin Clougherty, Finance Officer, stated I just want to point out that this does not include any of the school numbers. That is something separate and they are going to have to deal with their energy issues on their side within their budget resolution. That is not something that we are reporting here. The other thing that I would point out is that as you read through the letters and I think we talked about this a little early at the Committee on Accounts is that there is some volatility in pricing going on out there. How much of that is related to OPEC and how much of that is related to the hurricane and some of the stuff that is going on in the southern part of the country we are just going to have to be patient and see. As we reported to

the Committee on Accounts, for the first quarter the budget seems to be tracking fairly well. All of the departments know that there is an energy issue. They have all been notified as Randy pointed out and they are all trying to take precautionary energy steps. That being said, the City has taken a lot of energy steps over the last number of years with respect to lighting and replacing the lighting and energy efficiency. I think if you read Chief Jaskolka's letter he talks about the vehicles and going to the smaller Impalas and how that will have an effect on what they are doing. You will see that the Library is talking about some of the improvements to the Library and how that will have an impact on their bottom line. So a lot of the major energy issues over the years we have tried to address and have had some success and that is hopefully going to help us move forward. All of that being said, what we would recommend to the Committee with respect to the general fund is that we complete the first quarter, which would be the July/August/September period. At that point we can provide you with first quarter information and we can get a better handle from some of the departments in terms of what they think that impact would be after the first three months of the budget. Around November we could come in because it takes, if you recall it takes us about a month to do the quarterly reports and get all of the data pulled together. At that point we could reassess and hopefully by that time we have an idea of what is going on with prices. Is gas going to stabilize and if so, at what number? Is it going to be close to \$2 or close to \$1.50 because that is going to have an effect. What is natural gas doing? To try and handicap that right now or guess what that number is is probably not a good thing. We know that we have an additional amount of money in contingency. We put a bigger number there for these types of things. What we would try to do is be patient on this and see where some of these markets go. The thing we don't want to do is go to the departments and require them to do a lot of cuts and do some things unnecessarily or look at closing stations and doing those Draconian things when we find out that in fact that is just a temporary raise or it didn't go as high or as low as we thought and then it starts to stabilize after the first of the year or going into the first of the year. We are cautious about this. We know we need to look at it. We have taken some precautions but we also know that we need to be on top of this and we would encourage the Committee to meet regularly and monitor this and we will keep updating these reports for you.

Alderman Forest stated I have a couple of questions and then a comment. I know I read Chief Jaskolka's letter about the building and I know the building is two years short of 30 years old. The other thing in the same line is this building right here we had a problem this winter where the boiler kicked out a couple of times and then I was made aware that City Hall was totally renovated but apparently somebody forgot to go and look down at the boiler. So this may be something we can look at as far as saving some money in getting some new equipment to heat both buildings and that would probably save. I know that I was around in 1978

and maybe some of the other Aldermen were also when they had us park cars and turn off lights and turn down the heat and everything else. I don't think we are ready for that yet but from reading the newspapers recently and listening to the comments that the AP and CNN and MSNBC make they are sort of setting us up already for the natural gas increase for heating. I am sure that is coming.

Mr. Clougherty replied the second handout that I gave you is a copy of the executive order that Governor Lynch put out in July and the follow-up letters of what the state is doing and what they have decided to do is to have the Department of Administrative Services serve as a focal point. They created a position there to oversee energy overall and make some initiatives and on their policy they talked about some of the things that you talked about Alderman that we are going to have to address in CIP about energy standards and things for acquisition of cars and for buildings and things like that. I pass it along as information. They talk about the Energy Star Program, which is the EPA initiative that they are following. As we get into November and depending on how this thing goes, you may see us coming forward with some recommendations about the things you were talking about, Alderman, regarding work hours and policies on buildings and energy efficiency and trying to bring that to something comprehensive.

Alderman Forest stated as far as the Airport and Water Works, I was just wondering in the next report if we can keep that separate. I am not sure about Water Works but I assume the Airport has a way to recover their costs whereas the City, itself, cannot.

Chairman Thibault stated those are Enterprise funds and they take care of their own don't they.

Mr. Sherman responded they take care of themselves and again you have to keep in mind what was budgeted. We all knew the electric rates were going up and every department budgeted accordingly for that. So when they are going through now and looking at what their issues here are, I mean the Airport in essence doesn't drive very far so they are not using a lot of gasoline to move their vehicles. Obviously they go out and plow and those type of things but those things are all budgeted and again the Airport says their budget is fine and they are okay.

Mr. Clougherty stated regarding Water Works I want to remind you that they operate on a different fiscal year under statutes than we do. They operate on a calendar fiscal year. They are in a position now where they will be adopting their budget in December for January so they can make some adjustments at this point in time so they are looking at a little different cycle than we are.

Chairman Thibault stated but Airport is in their own thing. Whatever costs they incur they pay themselves. We don't have to pay for that.

Mr. Clougherty stated we are trying in these summaries to give you the whole picture and as we go through and have more time we can start to drill down on some of these and get better information by department utilization and things like that.

Alderman Garrity stated Kevin I am reading your e-mail dated September 22 to Seth Wall. It is in the first part of the package that we got. You are recommending that we start some policies with City buildings, schools and such and your first bullet point is vehicles. Do you recommend any policy regarding City vehicles going home? I mean we have a number of vehicles that leave the City limits that go to folk's homes. I think that is a policy that this Board needs to establish. At \$3/gallon for gas we really need to come up with some strict policies on who takes a vehicle home and who does not. Do you have any recommendations for that?

Chairman Thibault stated I think we do have a strict policy on that but we can look at it no problem.

Mr. Clougherty replied at this point we are trying to get some feedback from you as to what policies...if you want us to go down that route certainly we can. We said you should do this but we are not going to draft them unless you think that there is going to be some receptivity to that.

Alderman Garrity stated I can name five vehicles that probably should go home. The Mayor, Fire Chief, Police Chief and possibly the Chief of Highway Operations and that is about it. The rest of them I think should say where they are based. Folks can leave and go home and if they are called in they can come back to the base of operations, get the vehicle and use the vehicle within City limits. There is no reason for a vehicle to be leaving City limits at all – not at \$3/gallon.

Chairman Thibault asked do you want to make a motion that we look at that.

Alderman Garrity answered I would make that recommendation.

Mr. Clougherty stated you know that over the years the position in our department has been that if we had a modern Public Works facility you could consolidate a lot of those operations and you would have, as part of that design, parking space so you could put them into a protected area. The last thing you want is to have people parking the vehicles down here and they get vandalized and things like that. I agree with you. We would like to see something like that and you may see

us taking some of those things and making a more expanded proposal to the CIP Committee saying we really think you should be going down this route to consolidate even more and bring some management control over how you are replacing all of these vehicles. Not just on mileage but some of these...if you look at the stuff from the state regarding what kind of vehicles you are buying and how to get energy savings, we think those should be incorporated definitely so I tend to agree with you.

Alderman Garrity responded that is just for fuel costs but I mean maintenance costs are enormous on these vehicles if they are going to places like Pembroke and Goffstown and other places out of City limits. It is just not appropriate. It has to be fixed. It is time for it to be fixed.

Mr. Clougherty replied if you standardized all of that stuff you could get them on a regular maintenance schedule and you wouldn't need as many garages...there are a lot of efficiencies that you can achieve operationally that also help you. It is not just saving money and energy, it is in all of these other areas that can help you as well too.

Alderman Garrity moved to get a list of all City vehicles that employees bring home.

Chairman Thibault stated the City Clerk can get us that information.

Alderman Lopez stated I have a few questions. First let me comment on the vehicles taken home. I think there is not just a clear-cut policy to try to make something like that. I think there are a lot of problems and I think we need input from the department heads and stuff like that before we come to a policy along that line because again where are you going to park all of the vehicles and where are they going to park and stuff like that. So we need to have some input on that. It has been discussed many times in the last six years. I think we need more of a detailed explanation when we say or try to make a policy and I would like to hear from other department heads. The question I have is in reference to Building Maintenance. We are including the Rines Center, City Hall, Senior Center and places like that when we say Building Maintenance?

Mr. Sherman replied you would actually see those...like for example if you look at the natural gas you will see under there it is Elderly Services. That is the Senior Center. You will see the Health Department. That is the Rines Center.

Alderman Lopez responded I realize that but I am looking at the second page here. I don't see anything from the Health Department and I was wondering if that was included.

Mr. Sherman stated no they didn't respond. I don't believe you got a response from them.

Alderman Lopez replied I don't understand why they didn't respond. Aren't they a department?

Mr. Clougherty responded to be honest, Alderman, when the letter went out from Seth I believe it went out to what he considered the major users of energy in the City. I can't tell you if he sent it to every department. So rather than beating up on Fred and saying he didn't respond, let us follow-up on that.

Alderman Lopez replied we need the whole picture here. The Senior Center is going to use a lot more fuel this year. They need money.

Mr. Sherman stated right and again they are included on the front sheet but I understand your point.

Mr. Clougherty stated let us go back and check with him.

Alderman Lopez stated I think also the Building Maintenance Department takes care of those buildings correct.

Mr. Sherman responded they do but those energy costs are charged to those individual budgets.

Alderman Lopez stated if you guys can look at that...

Mr. Sherman interjected I know for FY05 the Senior Center, their natural gas bill came in much higher than anybody anticipated. We were looking at it today...several years ago we had a contract for about \$2 for natural gas. They are predicting in January it will be over \$12. Last year for January it was \$8. That is what they are all trying to balance out at this point.

Alderman Lopez stated I guess the other area there...I wish maybe we had somebody responsible for energy – an employee and apparently we don't. All of the department heads are responsible at this stage of the game. What I am concerned about is like air conditioning. Who makes those determinations on why the air conditioning is on on a day like today? Open up the window you know? I am wondering if a dialogue with department heads is going on in that particular area. That is just a comment. The other comment I would like to make is you mentioned and I know that Frank mentioned issuing directives. If any department head is issuing any directive in reference to energy I would like to as a member of

this Committee get a copy of this directive so we are not redoing something here. The comment that you made at the beginning, I think, we are in the early stages and it seems like some of the department heads are really looking at this thing very carefully and there is no need to panic. Again, if they are making directives we should know what those directives are. These are energy cost directives I am speaking of before we just jump into the water so to speak. Did all of the department heads get a copy of the Governor's Executive Order?

Mr. Clougherty responded no I just pulled that off the Internet today so that you would have this as a point of reference. Again tonight we are trying to get a feel from the Committee on what type of direction you want us to take.

Alderman Lopez replied you have to remember that this is our first meeting. I would like to take it slow and not just jump in the water. I think it would be important that all department heads get a copy of this so they can look at some of the ways the Governor wants to save in the state and maybe we can implement some of those things here.

Mr. Clougherty stated I can circulate it. That is no problem. What we were trying to do tonight was before anybody thought they were getting a directive from a department, which certainly I don't have the authority to do, we wanted to say okay here is an idea of how the state is doing it and is this something that you, the Board, would like and if you would like to pursue something like that and if you want we can walk through his presentation and we could do that and then send out something to the departments. You can do it either way. We will be happy to send this along to them and say that this is under consideration and some of these things are being looked at by the Energy Committee and ask them to comment on that and we can at the same time collect that information and bring that back to you at the next meeting so you have some feel from them and from the departments as to what is possible.

Alderman Lopez stated I think we need to have that dialogue with the departments because sometimes we can make policies and it might not be the right policy. We need to have the input before we make the policy.

Mr. Clougherty responded if it is the wish of the Committee I will send out this package to department heads tomorrow with a memo asking if they will please review it and provide us with any additional information or comments and do an analysis of it.

Chairman Thibault stated before we get into that, wouldn't it be best if the Committee agrees that we have the Finance Department contact every department head to come up with any energy saving idea that they have and bring it back to



this Committee so that we can look at it, especially with the cars that are going home with employees. The department heads should be able to answer why this person is taking the car home and all of this kind of stuff so that we can have a full picture before we make any decisions there.

Alderman Lopez asked is it the Finance Officer's responsibility. Do we want the Finance Officer to be doing that type of thing when we have other people in the City who could do that?

Chairman Thibault answered well the City Clerk or the Finance Officer. I don't care who it is.

Alderman Lopez stated Kevin if you want to take the job, take the job.

Mr. Clougherty responded I agree, Alderman.

Alderman Lopez stated you are the Finance Officer.

Mr. Clougherty responded I have tried to give you some focus.

Chairman Thibault asked well where do you think it should go.

Alderman Lopez answered I think one of the first comments Kevin made was the Mayor did send a directive out. I think the CEO...coming from the Mayor's Office working with the City Clerk's Office they could work with the departments for this Committee. If we want some department head to come in, fine. Kevin can do if it he wants. It would be tying him up. He has to worry more about bonding and all of those other things but it is up to him.

Chairman Thibault responded I am just asking where you want to send it. I just said that as an open question if you will because I don't know – should it go to the City Clerk or should it go to the Finance Department or where do you want it to go?

Alderman Lopez replied I think it should go to the Mayor's Office. He is the CEO of the City and the Committee could request...

Chairman Thibault interjected make a motion.

Alderman Lopez moved to have the Mayor's Office find out from every department head any efficiency measures that can be taken as far as energy is concerned, especially looking at vehicles that employees take home. Alderman Forest duly seconded the motion.

Chairman Thibault called for a vote on the motion. There being none opposed, the motion carried.

Alderman Forest responded just to show where we are at right now, everything we are doing with energy is not really just cut and dry. I know Alderman Lopez mentioned opening windows but City Hall, at least this side of the building, there are no windows to open and the Police Department and the Rines Center don't have windows to open. So on days like today when the sun is shining you really have to keep the air conditioning on for the working conditions of the employees. So it is not all cut and dry and I think we should send it to the Mayor's Office to coordinate it and come up with some ideas on what to do.

Alderman Lopez stated I have a question pertaining to the energy coordinator we had in the Finance Department. What is the status on that? What are we doing with that?

Mr. Clougherty responded right now the budget that was appropriated for that only has \$10,000 in it. There is no position to do that.

Alderman Lopez asked how long are we going to keep it, somebody has to do it. Do you have any recommendations for the Committee on what the process is going to be as we move forward?

Mr. Clougherty answered we think that there should be an energy position that coordinates everything. It is a big job. Where it should be located and how it should be funded I think are things we would like to discuss with the Committee.

Alderman Lopez asked in the future can we have some kind of a recommendation. I don't really think it should be in the Finance Office, that's for sure.

Mr. Clougherty answered a lot of times we do things because there is no place else to put it and we do it by default, similar to the letter that you were reading. We really felt that we needed to send something to the Mayor and say there are some issues here and we need to get people talking. That results in us taking on some of these functions but we would be happy to make a recommendation.

Alderman Lopez asked what is the right terminology for that position.

Mr. Clougherty answered MAAPS Coordinator.

Alderman Lopez stated so as we move forward we are going to have to do something with this or get rid of that debt because we keep carrying that debt all of the time.

Chairman Thibault asked don't you think we should let the Mayor, if they are in fact going to come back with some recommendations on this, that we should wait until then to make...

Alderman Lopez interjected yes I realize that but this is a separate position that is already in the budget that we didn't fund. We only gave them \$10,000 for that position. I don't know who in Finance is taking care of the paperwork now. Is anybody?

Mr. Clougherty responded it is just not getting done. That is part of the issue. I think we really need and Randy mentioned earlier about an energy policy. We really need to take a look at this and say how do you want to approach this in terms of policies, in terms of structure and in terms of reporting and make sure that going forward you have something in place.

Chairman Thibault stated there are a couple of things I would like to clear up. I heard you people talk about the schools before. Now this would come through their budget and if there is going to be an increase there they are going to have to come to the Board to get that increase right? So we are all going to get to hear that if ever it does happen.

Mr. Clougherty responded they may decide that they are going to handle it...

Chairman Thibault interjected Alderman Lopez is shaking his head no and I want to know why.

Alderman Lopez stated we gave the School Department the bottom line budget where they will manage their budget and if they have to cut just like we have to cut on the City side they will have to manage their budget. I don't expect them to come back to us for more money.

Chairman Thibault responded right but I am saying if they do have a problem they are going to have to make us aware of it. How about the Airport?

Mr. Clougherty replied the Airport would be in the same vein but as you have seen in the letters from the Airport they don't anticipate any type of a problem this year. They think they are going to be able to manage their operations. In any of these departments you have your general fund appropriation, which is a separate resolution from the Airport resolution and from EPD. If any one of them needed

additional dollars, you could do a supplemental appropriation if they can show that they have additional revenue. That doesn't change. That is the same drill for all of these guys.

Chairman Thibault stated the other thing is Parks & Recreation...you are looking at like where Parks & Recreation does the plowing for the schools. Again, this would come into their budget and if they have a problem they are going to have to come to the full Board so this Committee may not even be involved in that if you will at this point.

Mr. Clougherty responded one of the things we want to get cleared and I think we have done a good job of this over the last couple of years is having our departments be clear in telling the School District up front when they do their budget what the cost of the services will be so that we are not arguing about chargebacks. You will get into a position in time when Ron will go out in good faith and provide the plowing at a particular rate and then the School District will say well that is really not the cost that you allocated us and will want to do something there. I think in this time period we want to make sure that we are real clear on our communications about what the costs are and what the services to be provided are within the budget limitations that we have.

Chairman Thibault stated I agree that it is a good thing to send it to the Mayor's Office to find out what is going on.

Alderman Garrity stated that being said, I would hope that the Mayor's Office would ask the School District to participate in this process. It would be nice. They are nearly 60% of the City budget.

Mr. Clougherty responded I think they are looking at it on their side and they have already had, I believe, some discussions at their level.

Mr. Sherman stated not only do they have heating costs that they are concerned with but obviously they are running busses every day, which run on fuel and that is a major issue that they need to deal with as well.

Alderman Garrity stated I would just urge them to participate in the process.

Chairman Thibault stated my last comment would be does this Committee want to put a timeframe as to when we should be apprised as to the recommendations – 30 days.

Alderman Garrity responded personally I would like to see some action in a couple of weeks. I think we need an update in a couple of weeks. Soon it is going to be below freezing and energy costs are going to skyrocket.

Chairman Thibault stated well nothing is going to effect this year no matter what.

Alderman Garrity replied well conservation will.

Chairman Thibault stated two weeks looks to me like a very short time. Maybe a month. I am just throwing that out.

Alderman Garrity responded I would like to see a recommendation within the month at the latest.

Mr. Clougherty stated be mindful of the two points I made earlier. The quarterly financials we have to let September end and we usually don't have those available until about the first of November. The second thing is we really want to see some stabilization in what is happening with the gas and oil prices in particular as a result of the hurricane season so that we are not making policies that are either too restricting or too loose as the case may be. We have no problem coming back and having discussions with the Committee and talking to you and giving you updates on a regular basis if that is what you want. Just understand that concrete policies may be in the 30-45 day range rather than the one to two week range.

Alderman Garrity answered I just want to get the wheel turning.

Chairman Thibault stated as quick as you can, Kevin.

Mr. Clougherty responded we will get back to the Chairman with the Mayor.

Chairman Thibault stated right and then we can set-up our next meeting.

Alderman Lopez stated that is what I was going to say. It will come back to the Chairman and the Chairman can call a meeting.

There being no further business, on motion of Alderman Garrity, duly seconded by Alderman Forest, it was voted to adjourn.

A True Record. Attest.

Clerk of Committee